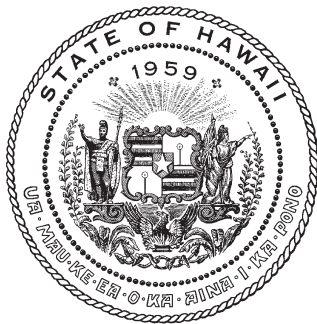


**STATE OF HAWAII
DEPARTMENT OF TAXATION**



**GENERAL INSTRUCTIONS FOR FILING THE
GENERAL EXCISE/USE TAX RETURNS**

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NOTE: Periodic general excise/use tax returns (Form G-45), the annual general excise/use tax return (Form G-49), and the Application For Extension Of Time To File The Annual Return And Reconciliation General Excise/Use Tax (Form G-39) may be electronically filed (e-filed) with the Department of Taxation. For more information, go to www.ehawaii.gov/efile.

Mailing Address Information

HAWAII DEPARTMENT OF TAXATION
P.O. BOX 1425
HONOLULU, HI 96806-1425

GENERAL EXCISE/USE TAX RETURNS

GENERAL INSTRUCTIONS

Changes You Should Note

- Effective January 1, 2006, section 237-13(6)(C), Hawaii Revised Statutes, relating to services rendered for (or to) an intermediary, is repealed (Act 71, Session Laws of Hawaii (SLH) 1999).
- Effective January 1, 2006 and thereafter, the general excise tax on wholesale sales of tangible personal property to licensed service providers, wholesale sales of services, and wholesale sales of amusements is $\frac{1}{2}\%$ (Act 71, SLH 1999 and Act 198, SLH 2000).

The General Excise Tax

The general excise tax is a privilege tax imposed on business activity in the State of Hawaii. The tax is imposed on the gross income received by the person engaging in the business activity. Activities subject to the tax include wholesaling, retailing, farming, services, construction contracting, rental of personal or real property, business interest income, and royalties.

Who Must File

Every person doing business in Hawaii during the taxable year must get a general excise tax license and file the appropriate returns, regardless of how much income the business earns, and whether or not the business also incurred losses. Every person receiving rents from real property owned in Hawaii is considered to be doing business, and must file returns.

Every person who uses in this State tangible personal property, services, or contracting which are imported into Hawaii, regardless if at the time of importation, the property, services, or contracting is owned by the importer, purchased from a seller that does not have a general excise tax license, or however acquired, must file a return to report use tax in addition to general excise tax.

Under the General Excise and Use Tax Laws, "person" means every separate legal entity, even though it might not pay net income tax or file a net income tax return. For example, although a partnership that is doing business does not pay net income tax on the income it earns, the partnership (rather than its partners) is required to pay general excise or use tax. However, if the grantor of a revocable living trust reports all items of the trust's income on the grantor's individual net income tax return, the grantor rather than the trust will report and pay general excise tax on the trust's income. See Tax Information Release No. 94-5 for more information. Furthermore, a husband and wife may file joint general excise and use tax returns.

In most circumstances, general excise tax returns do not have to be filed by:

- Individuals not engaged in business. If an individual's only business is performing personal services as an employee under the direction and control of an employer, returns are not required, but an individual who rents out real property or performs services as an independent contractor, even as a side business, must report and pay tax on that income.
- Financial institutions. A financial institution that is subject to the Franchise Tax Law (Chapter 241, Hawaii Revised Statutes (HRS)), and that earns only income that is taxable under that law, only needs to file a franchise tax return. See Section 237-24.8, HRS, for more information.
- Public utilities owned and operated by the State or a political subdivision of it, or public service companies subject to the Public Service Company Tax Law (Chapter 239, HRS). If, however, a public service company receives income from directory advertising, interest income, or income not included in the measure of the tax imposed by Chapter 239,

HRS, general excise tax returns must be filed to report and pay tax on those amounts.

- Insurance companies subject to the insurance premiums tax (Sections 431:7-201 to 431:7-205, HRS). If, however, an insurance company receives rents from investments in Hawaii real property, general excise tax returns must be filed to report and pay tax on that income. See Section 237-29.7, HRS, for more information.
- Nonprofit organizations that have filed Form G-6, Application for Exemption From General Excise Taxes, or Form G-6S, Application for Exemption From General Excise Taxes (Short Form), and which have been granted tax exempt status by the Department. **A nonprofit organization must file Form G-6 or Form G-6S even if it has a determination letter from the Internal Revenue Service.** If a nonprofit organization conducts fund raising activity such as selling barbecued chicken or sweet bread, or conducts any other business that is unrelated to the exempt activity, general excise tax returns must be filed to report and pay tax on that income. See Tax Facts Nos. 98-3 and 99-4 for more information.

Resident or Nonresident?

Under the General Excise and Use Tax Laws, it does not matter if you are a resident, nonresident, or part-year resident.

Filing Period

The periodic returns (Form G-45) are used to report gross income, exemptions, deductions, and tax due on business activities periodically. They must be filed throughout the year at specified intervals. How often you file depends on the amount of general excise tax your business has to pay during the year.

- You must file monthly if you will pay more than \$4,000 in general excise tax per year.
- You may file quarterly if you will pay \$4,000 or less in general excise tax per year.
- You may file semiannually if you will pay \$2,000 or less in general excise tax per year.

If you are filing quarterly or semiannually and your tax liability is more than the amounts listed above, you must change your filing period.

To change your filing period, notify the Department of Taxation by filing Form GEW-TA-RV-5, General Excise/Use, Employer's Withholding, Transient Accommodations and Rental Motor Vehicle & Tour Vehicle Surcharge Application Changes.

What Forms to File

A monthly filer must file a Form G-45 every month, a quarterly filer must file a return for each quarter, and a semiannual filer must file a return for each semiannual period.

All filers must file an annual return and reconciliation (Form G-49) after the close of the taxable year. Form G-49 is a summary of your activity for the entire year. This return must be filed in addition to Form G-45.

You must file a Form G-45 even if you do not have any gross income to report for the period. Just write a zero (0) in each column of your main business activity and also on the "Total Taxes Due" line. If your business activity has temporarily stopped, you can write us to request that your license be put on inactive status for 2 years. You do not have to file Forms G-45 while your license is inactive; only Forms G-49 are required.

Since the Forms G-45 and G-49 have been redesigned for scanning, there is no longer a section on the forms to list details concerning "exemptions" and "deductions" claimed. There is now a separate form (**Schedule GE (Form G-45/G-49)**) that needs

to be completed, to list details concerning "exemptions" and "deductions" claimed, and attached to Forms G-45 and G-49 or the "exemptions" and "deductions" claimed will be disallowed.

If your business activity has stopped and you do not think that you will need your license again (e.g., you incorporated a sole proprietorship or you sold your business) you need to cancel your general excise tax license. Fill in the "Notification of Cancellation" (Form GEW-TA-RV-1) and send it with your license to the Department of Taxation. You must file all returns up to the date of cancellation, including the annual return.

Electronic Funds Transfer (EFT)

Section 231-9.9, HRS, authorizes the Department of Taxation to require those taxpayers whose tax liability for a particular tax exceeded \$100,000 during the past year to pay that tax by EFT instead of by check. The Department reviews the filing records of taxpayers and will mail notices to taxpayers who met this criterion. Any taxpayer who does not meet the criterion may still voluntarily pay by EFT. For more information on paying taxes by EFT, please see Tax Information Release Nos. 95-6 and 99-1.

IMPORTANT: A penalty of 2% of the tax due will be assessed if a taxpayer who is required to make payments by EFT does not do so without reasonable cause. If an EFT payment is dishonored a \$15 service fee will be assessed.

Due Dates

- Forms G-45 are due one month following the close of the filing period; that is, you have one month to file them.
- Form G-49 is due on or before the 20th day of the 4th month following the close of the tax year. For taxpayers on a calendar year, this return will be due on April 20th.

If you file and/or pay late, you may have to pay penalties and interest. Please see the instructions for **Penalties and Interest**.

No extensions for filing the periodic Forms G-45 are allowed. If you are not able to determine the exact amount of your gross income for the period, estimate it as accurately as you can and file on that basis.

If you are unable to meet the deadline for filing the annual return and reconciliation (Form G-49), you may request for an extension on Form G-39. **Approval of an extension request is not automatic.** The extension of time to file is not an extension of time for payment. Your payment for any additional tax you estimate will be due must be sent in with your extension request.

Forms G-39, G-45, and G-49 may be electronically filed (e-filed) with the Department of Taxation. For more information, go to www.ehawaii.gov.org/efile.

Penalties and Interest

Late Filing of Return - The penalty for failure to file a return on time is assessed on the tax due at a rate of 5% per month, or part of a month, up to a maximum of 25%.

Failure to Pay Tax After Filing Timely Return - The penalty for failure to pay the tax after filing a timely return is 20% of the tax unpaid within 60 days of the prescribed due date. The 60-day period is calculated beginning with the prescribed due date even if the prescribed due date falls on a Saturday, Sunday, or legal holiday.

Interest - Interest at the rate of $\frac{2}{3}$ of 1% per month, or part of a month, shall be assessed on unpaid taxes and penalties beginning with the first calendar day after the date prescribed for payment, whether or not that first calendar day falls on Saturday, Sunday, or legal holiday.

Please check your return carefully. Additional penalties may be assessed if you make an underpayment of tax due to negligence, intentional disregard of the Department's rules, or fraud.

Amended Returns

If you filed your General Excise/Use Tax Return and later become aware of any changes to the reported income or exemptions/deductions, file the following forms, as applicable, to correct the return.

- The Amended Periodic General Excise/Use Tax Return, **Form G-54**, is used to correct a previously filed General Excise/Use Tax Return, Form G-45. Do **NOT** use this form if the General Excise/Use Tax Annual Return and Reconciliation, Form G-49, has already been filed for the tax year.
- The Amended General Excise/Use Tax Annual Return and Reconciliation, **Form G-55**,

is used to correct a previously filed General Excise/Use Tax Annual Return and Reconciliation, Form G-49. It is **NOT** necessary to amend both the periodic and annual returns previously filed.

Where to File

File your general excise and use tax returns with:

Hawaii Department of Taxation
P.O. Box 1425
Honolulu, HI 96806-1425.

Where to Get Forms, Instructions, and Publications

Forms, publications, and other documents, such as copies of Tax Information Releases and Administrative Rules issued by the Department, are available on the Department's website at www.hawaii.gov/tax or you may contact the cus-

tomers service staff of our Taxpayer Services Branch at:

Voice: 808-587-4242
1-800-222-3229 (Toll-Free)

Telephone for the Hearing Impaired:
808-587-1418
1-800-887-8974 (Toll-Free)

Fax: 808-587-1488

E-mail: Taxpayer.Services@hawaii.gov

Mail: Taxpayer Services Branch
P.O. Box 259
Honolulu, HI 96809-0259

GENERAL INFORMATION ON THE GENERAL EXCISE TAX LAW

The general excise tax is a tax imposed on the gross income you receive from any business activity you have in Hawaii. Gross income includes any cost passed on to the customer and represented to be the general excise tax.

For example:

Retail sale price	\$ 100.00
+ 4% tax (passed on)	+ 4.00
Charged to customer	<u>\$ 104.00</u>

In this example, if there are no exemptions or deductions, the general excise tax due on the gross income is \$4.16, calculated as follows:

Gross income	\$ 104.00
x Tax rate	x .04
General excise tax	<u>\$ 4.16</u>

Examples of Income You Must Report

- The gross amount of income you receive from the sale of goods or services. This includes the amount you receive for the sale of inven-

tory property, even if you receive it because you sold your entire business.

- Bartering income, which is the fair market value of goods or services you received in return for your goods or services.
- Income that you received as a reimbursement for any costs spent on behalf of any customer or client, if you marked up the costs by any amount or if the costs were actually spent on your own business.

Other specific examples are found in each of the classifications on the following page.

GENERAL INFORMATION ON THE USE TAX LAW

The use tax is a tax imposed on the landed value of tangible personal property, services, or contracting that are imported into Hawaii, regardless if at the time of importation, the property, services, or contracting is owned by the importer, purchased from a seller that does not have a general excise tax license, or however acquired, and is used in the State. The landed value is the value an item has at the time it arrives in Hawaii. It generally includes the invoice price plus shipping, insurance, handling, licenses, customs duty, and other related costs. An offset of the use tax may be claimed for sales taxes paid to another state. See instructions for Use Tax and General Excise Tax Offset on page 5.

Property, services or contracting are not subject to use tax if either general excise tax or use tax has been previously paid on the property, services or contracting.

Examples of Property, Services or Contracting You Must Report

- Cars, trucks, boats, or office machines that are imported for business or personal use, for retail sale, or for leasing.
- Articles such as clothing, electronics, or cameras that are imported from another state or a foreign country by a retailer for resale here.
- Heavy equipment, such as cranes, tractors, and earth movers that will be kept in the State for more than 365 days.
- Lumber imported by a contractor for use in a construction project.
- All services performed outside this State where the customer in this State uses, consumes or resells the service in this State.
- Contracting performed outside the State imported by a person who uses or consumes the value of the contracting in this State.

Examples of Property, Services or Contracting That You Do Not Report

- Temporary use property that will be kept in the State for less than a year, such as construction equipment that will be removed upon completion of a construction contract. If any property is in Hawaii for a year or less, then it is considered temporarily in Hawaii. Perishable property, or quickly consumable property, does not qualify as temporary use property even if it is not consumed within the State before it spoils.
- Property received solely as a gift. Property purchased at a bargain, even from a friend or relative, does not qualify for this exclusion.
- Articles that are examined and then returned, such as goods that are returned after a trial period.
- Goods that are imported by the owner of vessels engaged in interstate commerce and that are used as ship stores for the vessels.
- Household goods, personal effects, and private automobiles if the person importing them into the State (A) acquired them outside Hawaii, (B) acquired them while the person was not a Hawaii resident, (C) acquired them for use outside Hawaii, and (D) made actual and substantial use of them outside Hawaii. An article that was acquired less than three months before importation to Hawaii is presumed to have been purchased for use within Hawaii, and, therefore, is presumed not to qualify for this exclusion.
- Aircraft that is kept solely for renting to lessees using the aircraft for commercial transportation of passengers or goods.
- Oceangoing vessels that are used by a public service company to provide transportation from one point in the State to another.

- Newspapers, magazines, and other periodical publications purchased on a subscription plan that qualify for the second class mail rate.
- Property other than tangible personal property. This includes currency, stocks, bonds, patents, licenses, and other intangible property.
- Property, services or contracting that have been previously subject to the Hawaii use tax.
- Property, services or contracting purchased from a seller who was subject to the general excise tax upon a sale or transfer of the property, services or contracting to the user.
- Services imported for resale to a foreign customer located outside the State, where the customer will use, consume, or resale the service outside the State.
- Contracting performed outside the State imported by a building industry contractor that becomes an identifiable element, excluding overhead, of the finished work or project for which the gross income is subject to the general excise tax. See Tax Information Release No. 2001-2 for more information.
- The acquisition or importation of aircraft or aircraft engines by a lessee or renter engaged in interstate air transportation. The term "interstate air transportation" is the same as in 49 U.S.C. 40102.

GENERAL EXCISE TAX AND USE TAX ACTIVITY CLASSIFICATIONS

PART I — GENERAL EXCISE AND USE TAXES @ ½ OF 1% (.005)

Wholesaling

Wholesaling means any of the following activities:

- (1) Selling tangible personal property to a licensed wholesaler, retailer, or other person who resells the property and does not use or consume it. For sales of tangible personal property to a service provider or to a person furnishing transient accommodations, see paragraph (8).
- (2) Selling material or commodities to a licensed manufacturer, if the manufacturer incorporates that property into a finished or saleable product, the incorporated property remains perceptible to the senses in the product, and the manufacturer sells the product.
- (3) Selling material or commodities to a licensed producer or a cooperative association, if the producer or co-op incorporates that property into a finished or saleable product, and the producer or co-op sells the product. This classification includes selling material or commodities that are essential to the planting, growth, nurturing, and production of agricultural, aquacultural, or natural resource products.
- (4) Selling material or commodities to a licensed contractor, if the contractor incorporates that property into a finished work or project required by the contract, and the incorporated property remains perceptible to the senses in the finished work or project.
- (5) Selling poultry feed, animal feed, hatching eggs, semen, replacement stock, or breeding services to a licensed producer or a cooperative association, if the producer or co-op sells the finished or saleable products raised or nurtured. This classification does not apply to feed for poultry or animals to be used for hauling, transportation, or sports purposes.
- (6) Selling seed or seedstock for producing agricultural and aquacultural products, or bait for catching fish (including catching bait for catching fish), to a licensed producer or a cooperative association, if the producer or co-op sells the finished or saleable products raised or caught, or incorporates them into a manufactured product.
- (7) Selling polypropylene shade cloth, polyfilm, or polyethylene film; cartons and other containers to package eggs, fruits, vegetables, and other agricultural and aquacultural products; seedlings and cuttings to produce nursery plants; or aquacultural products or chick containers to a licensed producer or a cooperative association, if the producer or co-op sells the finished or saleable products raised or nurtured.
- (8) Selling tangible personal property to a licensed service provider or to a person furnishing transient accommodations, where: (A) the tangible personal property is sold upon the order or request of a licensed seller for the purpose of rendering a service in the course of the person's service business or calling, or upon the order or request of a person subject to tax under section 237D-2, HRS, for the purpose of furnishing transient accommodations; (B) the tangible personal property becomes or is used as an identifiable element of the service rendered; and (C) the cost of the tangible personal property does not constitute overhead to the licensed seller.
- (9) Selling capital goods which have a depreciable life to a licensed leasing company which then leases them to its customers.
- (10) Selling bulk condiments or single-serving packets of condiments to a licensed retail merchant, jobber, or other licensed seller for use by their customers.
- (11) Selling tangible personal property (including disposable nonreturnable containers, packages, or wrappers, in which a product is contained and that are generally known and most commonly used to contain food or beverage for delivery or transfer) to a licensed retail merchant, jobber, or other licensed seller where it will be incorporated or processed into the finished or saleable product during the course of its preparation to market.
- (12) Selling amusements subject to taxation under section 237-13(4), HRS, to a licensed seller engaging in business or calling whenever: (A) either: (i) in the context of an amusement-to-service transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of rendering another service in the course of the seller's service business or calling; (ii) in the context of an amusement-to-tangible personal property transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of selling tangible personal property; or (iii) in the context of an amusement-to-amusement transaction, an amusement is rendered upon the order or request of a licensed seller for the purpose of rendering another amusement in the course of the person's amusement business; (B) the benefit of the amusement passes to the customer of the licensed seller as an identifiable element of the other service, tangible personal property to be sold, or amusement; (C) the cost of the amusement does not constitute overhead to the licensed seller; (D) the gross income of the licensed seller is not divided between the licensed seller and another licensed seller, person furnishing transient accommodations, or person rendering an amusement for imposition of tax under chapter 237, HRS; (E) the gross income of the licensed seller is not subject to a deduction under chapter 237, HRS; and (F) the resale of the service, tangible personal property, or amusement is subject to the tax imposed under chapter 237, HRS, at the highest rate.
- (13) Selling magazines or printed materials containing advertisements by a printer to a publisher where the publisher is under contract with the advertisers to distribute a minimum number of magazines or similar printed materials to the public or defined segment of the public, whether or not there is a charge to the persons who actually receive the magazines or similar printed materials.

For specific legal requirements applicable to each of these classifications, see section 237-4, HRS, and the Administrative Rules under that section. A wholesaler may wish to document its status with respect to specific transactions by getting resale certificates from its clients. For specific requirements applicable to resale certificates, see section 18-237-13-02(d), Hawaii Administrative Rules.

Manufacturing

NOTE: Sugar processing and pineapple canning should be reported on this line.

Manufacturing includes compounding, canning, preserving, packing, printing, publishing, milling, processing, refining, or otherwise preparing an article for sale, profit, or commercial use.

Service providers that mill sugar cane, or mill sugar cane along with harvesting cane, hauling cane, or maintaining roads under a contract with a cane planter, should report gross receipts from these services on this line. For more information, see section 237-18(c) and (d), HRS.

Producing

Producing means the business of raising and producing agricultural products in their natural state, or producing natural resource products, or fishing or aquaculture, for sale or for shipment out of the State. Agricultural products include floricultural, horticultural, viticultural, forestry, nut, coffee, dairy, livestock, poultry, bee, animal, and any other farm, agronomic, or plantation products.

Wholesale Services

Sales of services are sales at wholesale whenever:

(1) Either:

- In the context of a service-to-service transaction, a service is rendered upon the order or request of a licensed seller for the purpose of rendering another service in the course of the seller's service business or calling;
 - In the context of a service-to-tangible personal property transaction, a service is rendered upon the order or request of a licensed seller for the purpose of manufacturing, producing, or preparing tangible personal property to be sold;
 - In the context of a service-to-contracting transaction, a service is rendered upon the order or request of a licensed contractor as defined in section 237-6, HRS, for the purpose of assisting that licensed contractor;
 - In the context of a service-to-transient accommodations rental transaction, a service is rendered upon the order or request of a person subject to tax under section 237D-2, HRS, for the purpose of furnishing transient accommodations;
- (2) The benefit of the service passes to the customer of the licensed seller, licensed contractor, or person furnishing transient accommodations;
 - (3) The cost of the service does not constitute overhead to the licensed seller, licensed contractor, or person furnishing transient accommodations;
 - (4) The gross income of the licensed seller is not divided between the licensed seller and another licensed seller, contractor, or person furnishing transient accommodations for imposition of the general excise tax;
 - (5) The gross income of the licensed seller is not subject to a deduction under the General Excise Tax Law or the Transient Accommodations Tax Law; and
 - (6) The resale of the service, tangible personal property, contracting, or transient accommodations is subject to the general excise tax at the highest tax rate.

If you are a service provider that mills or produces products under a contract with a manufacturer, you also should report your gross income from that activity on this line. For more information, see section 237-18(c), HRS.

Use Tax on Imports for Resale At 4%

Report in Column a, the landed value of all tangible personal property or services imported for resale or for lease or rent, and deduct in Column b the value of the tangible personal property or services im-

ported for resale at wholesale. If you import tangible personal property for resale at wholesale only, this line need not be completed.

If a licensed manufacturer (see the instructions for Manufacturing), report in Column a, the landed value of all materials, services and commodities which are imported and incorporated into a manufactured product such that they remain perceptible to the senses in the finished or saleable product, and deduct in Column b the value of the materials, services and commodities imported and incorporated into a manufactured product which are subsequently sold at wholesale. If all materials, services and commodities are imported and incorporated into a manufactured product which is subsequently sold at wholesale, this line need not be completed.

If the imported materials, services and commodities do not remain perceptible to the senses in the finished product, their value must be reported on Use Tax on Imports For Consumption rather than on this line.

If a licensed contractor (see the instructions for Contracting), reports in Column a the landed value of all materials or services which are imported and incorporated into a finished work or project required by the contract such that they remain perceptible to the senses in the finished work or project. If the imported materials or services do not remain perceptible to the senses in the finished work or project, their value must be reported on Use Tax on Imports For Consumption rather than on this line.

Because you may not know whether the property or services imported will be sold at wholesale or retail at the time it is imported, you can do one of two things. First, you may report the value of all imports and pay use tax at 0.5%, and when you later know how much is sold at wholesale you may file an amended return and claim a refund of the appropriate amount of use tax you paid.

Second, you may choose one of four methods to compute the landed value of property imported for sale at wholesale. These methods are the direct cost method, the percentage of wholesale sales to total sales method, the gross profit percentage method, and any other method that correctly reflects your tax liability if it is first approved by the Department. See Section 18-238-2, Hawaii Administrative Rules, or the Department's publication entitled "An Introduction to the Use Tax," for more information and examples of these methods. One method must be used consistently between accounting periods unless the Department permits a change of method.

PART II — GENERAL EXCISE and USE TAXES @ 4% (.04)

Retailing

Persons who sell tangible personal property and who do not qualify for wholesale treatment report their gross sales here. Examples include sales to a retailer who uses rather than resells the goods sold, sales to an unlicensed seller, and sales to consumers.

Services Including Professional

Service providers, including those providing professional and transportation services, report their gross income on this line. A director, executor, trustee, or fiduciary is considered to be engaging in a profession if the person serves in four or more such capacities, or receives more than \$1,200, in a taxable year.

The sale of services to the federal government by a service provider, including any tangible personal property furnished with the services rendered, is taxable. The tangible property furnished in the performance of services is subject to the tax even if the tangible property is separately stated or billed.

Technicians who supply dentists or physicians with dentures, orthodontic devices, braces, and similar items for the dentists' or physicians' patients report their gross sales from this activity on Wholesaling rather than on this line. (Section 237-15, HRS.)

Businesses that generate electric power and sell it to a public utility report their gross sales from this activity on Producing rather than on this line.

Contracting

Contractors report on this line. A contractor means:

- (1) A person engaging in the business of contracting to erect, construct, repair, or improve buildings or structures, of any kind or description, or to make, construct, repair, or improve any highway, road, street, sidewalk, ditch, excavation, fill, bridge, shaft, well, culvert, sewer, water system, drainage system, dredging or harbor improvement project, electric or steam rail, lighting or power system, transmission line, tower, dock, wharf, or other improvements;
- (2) An architect, professional engineer, land surveyor, or landscape architect; or
- (3) A pest control operator or fumigator.

Theater Amusement and Broadcasting

Income from operating a theater, opera house, vaudeville, amusement park, dance hall, skating rink, broadcasting station, or any other place where amusements are offered to the public, is reported on this line.

Interest

Interest is reported on this line if it is earned by a person engaged in the business of lending money, such as a department store that charges interest on revolving charge accounts, or if the interest is earned from the investment of business capital. Unless the recipient can clearly show otherwise, all interest that is earned by for-profit corporations or partnerships (including unincorporated business associations such as a hui), and all interest that is earned in a business account of a sole proprietorship, estate, or trust, must be reported on this line. For more information, see Tax Information Releases No. 42-74 and 94-1.

Commissions

A commission is the compensation of an agent, factor, broker, or bailee, usually calculated as a percentage on the amount of the transactions or on the profit to the principal. Note that if an agent receives commissions and then shares it with sub-agents, the amounts paid to the sub-agents generally are NOT deductible by the agent.

Transient Accommodations Rentals

This line is used to report gross rentals that are also taxed under the Transient Accommodations Tax Law, Chapter 237D, HRS. Charges to transients that are not rentals, such as cancellation fees, charges for food and beverage, and service charges should be reported on other lines.

Other Rentals

This line is used to report gross rentals that are not also taxed under the Transient Accommodations Tax Law, Chapter 237D, HRS, such as long-term rentals, equipment rentals, and all other types of lease or rental agreements.

All Others

Gross income from business activities not mentioned in the list above, excluding insurance commissions, is reported here. Examples are: sales of advertising space in a publication, royalties, payments received in exchange for a covenant not to compete, or insurance proceeds to replace gross income that would have been subject to the tax if earned.

Use Tax on Imports For Consumption

All property, services, or contracting that are imported by any person without a general excise tax license is reported here, unless an exemption applies.

All other property, services, or contracting that do not qualify for exemption or reporting on the line for Use Tax on Imports For Resale At 4% is reported here. For example, the landed value of polishing

compounds which a manufacturer imports and consumes in the manufacturing process is reported on this line since the polishing compounds do not remain perceptible to the senses in the finished product.

PART III — GENERAL EXCISE TAX @ other rate

Insurance Commissions

Persons licensed under Chapter 431, HRS, as an insurance producer report their insurance commissions on this line.

USE TAX AND GENERAL EXCISE TAX OFFSET

Use Tax on Imports For Resale At 4% and Use Tax on Imports For Consumption Column b

A use tax and general excise tax offset may be claimed for taxes paid to another state on property, services or contracting imported into the State for resale.

CAUTION: *Taxes paid for manufacturing, extraction, and the like, as well as license fees or transfer taxes, MAY NOT be taken as a credit against Hawaii use taxes due.*

The following steps should be taken to claim the offset when reporting the use tax on the Forms G-45 and G-49.

Offset the use tax:

- Step 1— Enter the value of the imported property in Column a of Use Tax on Imports For Resale At 4% or Use Tax on Imports for Consumption, as applicable, and determine the exact amount of use tax due on that property.
- Step 2— Compare the use tax due (Step 1) with the sales or use tax paid to another state on that property. Divide the LESSER of the two amounts by the applicable tax rate, and enter the result in Column b.
- Step 3— Subtract Column b from Column a, and enter the result in Column c.

Offset the general excise tax:

- Step 4— Enter the gross income from the sale of the imported property in Column a of the applicable line, and determine the exact amount of general excise tax due on that property.
- Step 5— Subtract the use tax due on that property (Step 1) from the sales or use tax paid to another state on that item.
- Step 6— Compare the general excise tax due (Step 4) with the remaining sales or use tax paid (Step 5). Divide the LESSER of the two amounts by 0.005 or 0.04, as applicable, and enter the result in Column b.
- Step 7— Subtract Column b from Column a, and enter the result in Column c.

EXAMPLE

Taxpayer A purchases widgets in State X on which \$125 of sales tax is paid, and imports the widgets into Hawaii for resale at retail. The landed value of the widgets is \$1,500, and they are sold at retail for \$2,700.

- Step 1— $\$1,500 \times 0.005 = \7.50
Step 2— $\$7.50 \div 0.005 = \$1,500$
Step 3— $\$1,500 - \$1,500 = \$0$
Step 4— $\$2,700 \times 0.04 = \108
Step 5— $\$125 - \$7.50 = \$117.50$
Step 6— $\$108 \div 0.04 = \$2,700$
Step 7— $\$2,700 - \$2,700 = \$0.00$

STEP-BY-STEP INSTRUCTIONS FOR FILLING IN YOUR FORM G-45 (PERIODIC RETURN)

(The circled numbers in the figures correspond to the steps in the instructions.)

*Periodic general excise/use tax return (Form G-45) may be electronically filed (e-filed) with the Department of Taxation.
For more information, go to www.ehawaii.gov.org/efile.*

About this Form

The Form G-45 has been redesigned for electronic scanning that permits faster processing with fewer errors. In order to avoid unnecessary delays caused by manual processing, taxpayers should follow the guidelines listed below:

1. Print amounts only on those lines that are applicable.
2. Use only a black or dark blue ink pen. Do not use red ink or pencil nor felt tip pens.
3. Because this form is read by a machine, please print your numbers inside the boxes like this:

1	2	3	4	5	6	7	8	9	0	X
---	---	---	---	---	---	---	---	---	---	---
4. Do NOT print outside the boxes.
5. Fill in ovals completely. Do not ✓ or ✕ the ovals.
6. Do NOT enter cents. All numbers that are required to be rounded to the nearest dollar should **NOT** be printed over the zeros printed in the handprint boxes used to designate cents.
7. Do NOT use dollar signs, slashes, dashes or parenthesis in the boxes.
8. Photocopying of this form could cause delays in processing your returns.

Rounding to Whole Dollars in Columns a, b and c

The Department of Taxation is requiring taxpayers to round off cents to the nearest whole dollar for all dollar entries in Columns a, b and c. To do so, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example: \$1.49 becomes \$1 and \$2.51 becomes \$3. If you have to add two or more amounts to figure the amount to enter in the column, include the cents when adding and round off only the total.

CAUTION: DO NOT enter the cents in Columns a, b and c. The system will read all numbers entered as whole dollar amounts.

When Form G-45, Column b is greater than Column a

In the event that your exemptions/deductions (Column b) for the period exceeds your gross income (Column a), it is highly recommended that you enter an amount in Column b that is equal to but not more than Column a. The remainder of the available exemption/deduction would then be reported on the subsequent period's Form G-45. You are unable to claim a refund for the amount that results in a negative tax consequence on the periodic return.

Ko Olina Resort and Marina Attractions and Educational Facilities Tax Credit

If you are claiming this credit, see the *Instructions* for Form N-335.

(Rev. 2005) STATE OF HAWAII — DEPARTMENT OF TAXATION

**GENERAL EXCISE/USE
TAX RETURN**

DO NOT WRITE IN THIS AREA **10**

☐ Month ☐ Quarter ☐ Semiannual

NAME: **2**

1 PERIOD ENDING

M	M	/	Y	Y

HAWAII TAX I.D. NO. **W** **3**

--	--	--	--	--	--	--	--

4 Last 4 digits of your FEIN or SSN

--	--	--	--

Figure 1. Top of the Return

THE TOP OF THE TAX RETURN

Step 1 — Fill in (darken) the appropriate oval to indicate your filing frequency and complete the filing period information with the appropriate numeric (two digit) month and year for the last month of your filing period (e.g., Month of January 2006 = 01/06; Semi-annual Period of January through June 2006 = 06/06).

Step 2 — Write your name here. Individuals, write your last name first.

Step 3 — Enter your Hawaii Tax I.D. No. in the area provided.

Step 4 — Enter the last 4 digits of your SSN or FEIN.

PART I - GENERAL EXCISE and USE TAXES @ 1/2 OF 1% (.005)									
ERE •	Wholesaling	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">5</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">.00</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">6</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">.00</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">7</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">.00</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">N</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">C</div>

Figure 2. How to Fill in the Columns for General Excise Taxes

PART I GENERAL EXCISE TAXES @ 1/2 OF 1% (.005)

NOTE: Sugar processing and pineapple canning should be reported under the "Manufacturing" activity.

Step 5 — Enter the gross income from your business activity or activities in Column a on the appropriate business activity line(s). If you did not derive any income from your business activity during this period, enter zero (0) on the applicable line(s).

If a promoter, a contractor, or other person withheld general excise or use tax and paid it to the Department of Taxation on your behalf, do not enter the amount paid or the income on which tax was withheld. These amounts will, however, need to be included on your annual reconciliation return.

Step 6 — If you have allowable exemptions or deductions, enter the total in Column b on the appropriate business activity line or lines. If you do not have any exemptions or deductions, enter zero (0) on the applicable line or lines. IF Column b is more than Column a, see "When Form G-45, Column b is greater than Column a" above.

IMPORTANT: Most deductions allowed on net income tax returns (e.g., operating expenses or cost of goods sold) are NOT deductible on general excise tax returns.

Step 7 — For each activity you engage in, subtract Column b from Column a and enter the result in Column c, Taxable Income. If the result is zero, enter a zero (0).

PART II - USE TAXES @ 1/2 OF 1% (.005)									
CK OR I	Use Tax on Imports For Resale At 4%	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">8</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">.00</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">9</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">.00</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">10</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">.00</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">N</div>	<div style="border: 1px solid black; width: 20px; height: 20px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">C</div>

Figure 3. How to Fill in the Columns for Use Taxes

USE TAXES @ 1/2 OF 1% (.005)

Step 8 — Enter the landed value of tangible personal property, services, or contracting imported into Hawaii in Column a.

Step 9 — If you have allowable exemptions or deductions, enter the total in Column b. If you do not have any exemptions or deductions, enter zero (0). IF Column b is more than column a, see "When Form G-45, Column b is greater than Column a".

A use tax and general excise tax offset may be claimed for taxes paid to another state on property, services or contracting imported into the State for resale.

CAUTION: Taxes paid for manufacturing, extraction, and the like, as well as license fees or transfer taxes, MAY NOT be taken as a credit against Hawaii use taxes due.

The following steps should be taken to claim the offset when reporting the use tax on the Forms G-45 and G-49.

Offset the use tax:

Step A— Enter the value of the imported property in Column a of Use Tax on Imports For Resale At 4% or Use Tax on Imports for Consumption, as applicable, and determine the exact amount of use tax due on that property.

Step B— Compare the use tax due (Step A) with the sales or use tax paid to another state on that property. Divide the LESSER of the two amounts by the applicable tax rate, and enter the result in Column b.

Step C— Subtract Column b from Column a, and enter the result in Column c.

Offset the general excise tax:

Step D— Enter the gross income from the sale of the imported property in Column a of the applicable line, and determine the exact amount of general excise tax due on that property.

mine the exact amount of general excise tax due on that property.

Step E— Subtract the use tax due on that property (Step B) from the sales or use tax paid to another state on that item.

Step F— Compare the general excise tax due (Step D) with the remaining sales or use tax paid (Step E). Divide the LESSER of the two amounts by 0.005 or 0.04, as applicable, and enter the result in Column b.

Step G— Subtract Column b from Column a, and enter the result in Column c.

EXAMPLE

Taxpayer A purchases widgets in State X on which \$125 of sales tax is paid, and imports the widgets into Hawaii for resale at retail. The landed value of the widgets is \$1,500, and they are sold at retail for \$2,700.

Step A— $\$1,500 \times 0.005 = \7.50

Step B— $\$7.50 \div 0.005 = \$1,500$

Step C— $\$1,500 - \$1,500 = \$0$

Step D— $\$2,700 \times 0.04 = \108

Step E— $\$125 - \$7.50 = \$117.50$

Step F— $\$108 \div 0.04 = \$2,700$

Step G— $\$2,700 - \$2,700 = \$0.00$

Step 10 — Subtract Column b from Column a, and enter the result in Column c. This is the taxable value.

Step 11 — Add the taxable income amounts in Part I, Column c. Enter the result. **Reminder:** This amount is rounded to the nearest dollar.

<div style="writing-mode: vertical-rl; transform: rotate(180deg);">ATTACH HERE</div>		<div style="border: 1px solid black; padding: 2px; display: inline-block;">11</div>	X .005	=	<div style="border: 1px solid black; padding: 2px; display: inline-block;">11</div>
	Sum of the lines in Column c above				

PART I — TAXES

PART II — GENERAL EXCISE AND USE TAXES @ 1/2 of 1% (.005)

Figure 4. Calculating the Tax Amount for General Excise and Use Taxes @ 1/2 of 1% (.005)

Multiply by the total of Part I, Column c by .005, and enter the result, *including the cents*. The result is the General Excise and Use Taxes @ 1/2 of 1% (.005) due. If the result is zero, enter "0.00".

Step 12 — If you are claiming exemptions or deductions in Column b, complete Schedule GE (Form G-45/G-49), General Ex-

cise/Use Tax Schedule of Exemption and Deductions. Using the Table provided on the Schedule GE (Form G-45/G-49), write the activity code for which the exemption or deduction is being claimed and the description of the exemption or deduction. If you write the HRS section number of your claimed exemptions or deductions, it will speed processing of your return and minimize the chances of us misunderstanding what you claimed.

	<div style="border: 1px solid black; padding: 2px; display: inline-block;">13</div>	X .04	=	<div style="border: 1px solid black; padding: 2px; display: inline-block;">13</div>
Sum of the lines in Column c above				

PART II — TAXES

10

Figure 5. Calculating the Tax Amount for General Excise and Use Taxes @ 4% (.04)

PART II

General Excise And Use Taxes @ 4% (0.4)

For these activities, follow Steps 5 through 10 above, as applicable.

Step 13 — Add the taxable income amounts in Part II, Column c. Enter the result. Multiply the total of Part II, Column c by .04, and

enter the result, *including the cents*. The result is the General Excise and Use Taxes @ 4% (.04) due. If the result is zero, enter "0.00".

Step 14 — Follow Step 12 for the activities in Part II.

Form G-45, Page 2 of 2		Name: _____ <div style="border: 1px solid black; border-radius: 50%; padding: 2px; display: inline-block;">15</div>	
		Hawaii Tax I.D. No. W _____ — _____ Period Ending ____ / ____	
Last 4 digits of your FEIN or SSN _____			
Column a BUSINESS ACTIVITIES VALUES, GROSS PROCEEDS OR GROSS INCOME	Column b EXEMPTIONS/DEDUCTIONS (Attach Schedule GE)	Column c TAXABLE INCOME (Column a minus Column b)	
PART III - GENERAL EXCISE TAX @ other rate			
Insurance Commissions	<div style="border: 1px solid black; padding: 2px; display: inline-block;">16</div>	<div style="border: 1px solid black; padding: 2px; display: inline-block;">17</div>	<div style="border: 1px solid black; padding: 2px; display: inline-block;">18</div>
Multiply Column c by the tax rate		X .0015	
PART III — TAXES		<div style="border: 1px solid black; padding: 2px; display: inline-block;">19</div>	

Figure 6. Top of Page 2 and Calculating the General Excise Tax @ other rate

TOP OF PAGE 2

Step 15 — Please complete the information at the top of the page as it is entered on page 1 at the top of the return.

PART III — General Excise Tax @ other rate

Step 16 — Enter your insurance commissions in Column a.

Step 17 — If you have allowable exemptions or deductions, enter the total in Column b. If you do not have any exemptions or deductions, enter zero (0).

Step 18 — Subtract Column b from Column a, and enter the result in Column c, Taxable Income. IF Column b is more than Column a, see "When Form G-45, Column b is greater than Column a".

Step 19 — Multiply the amount in Column c by .0015 and enter the result. If the result is zero, enter "0.00".

Step 20 — Follow Step 12 for any amounts claimed in Column b.

PART IV — TOTAL PERIODIC RETURN

1. **TOTAL TAXES DUE.** Add Part I — Taxes, Part II — Taxes, and Part III — Taxes.
If you did not have any activity for the period, enter "0.00" here. 1.

2. **FOR LATE FILING ONLY →** PENALTY \$ _____
INTEREST \$ _____ 2.

3. **PLEASE ENTER THE AMOUNT OF YOUR PAYMENT.** Attach a check or money order payable to "HAWAII STATE TAX COLLECTOR" in U.S. dollars to Form G-45. Write "GE", the filing period, and your Hawaii Tax I.D. No. on your check or money order. If you are NOT submitting a check with this return, please enter "0.00" here. 3.

4. GRAND TOTAL OF EXEMPTIONS/DEDUCTIONS CLAIMED. (Attach Schedule GE)
If Schedule GE is not attached, exemptions/deductions claimed will be disallowed. 4.

I declare, under the penalties set forth in section 231-36, HRS, that this is a true and correct return, prepared in accordance with the provisions of the General Excise and Use Tax Laws and the rules issued thereunder.

IN THE CASE OF A CORPORATION OR PARTNERSHIP, THIS RETURN MUST BE SIGNED BY AN OFFICER, PARTNER OR MEMBER, OR DULY AUTHORIZED AGENT.

SIGNATURE _____ TITLE _____ DATE _____

Figure 7. Completing the Periodic Return (Form G-45)

PART IV — Total Periodic Return

Step 21 — Add Part I - Taxes, Part II - Taxes, and Part III - Taxes. Enter the sum on Part IV, line 1. This is the **Total Taxes Due**. If the result is a negative figure, darken the negative box next to the amount boxes. You are unable to claim a refund with this return. A refund can only be claimed when filing your annual return and reconciliation (Form G-49).

CAUTION: *PART IV, LINE 1 MUST BE FILLED IN.* If you did not have any activity for the period, enter "0.00" here.

Step 22 — If you file a tax return after the due date, and if there is tax due on the return, then you must compute penalty and interest charges. After computing the amounts, enter the results to the right of "PENALTY \$" and "INTEREST \$" and enter the total of the two amounts on Part IV, line 2.

If you need help computing the penalty and interest, please call the Taxpayer Services Branch for assistance at 808-587-4242 or toll-free 1-800-222-3229; or leave these lines blank, and the Department will compute the charges for you and send you a bill.

Step 23 — Add the amounts on Part IV, lines 1 and 2, and enter the total on line 3. **NOTE:** If you are NOT submitting a check with your return, enter "0.00".

Attach your check or money order for this amount payable to "Hawaii State Tax Collector" in U.S. dollars drawn on any U.S. bank

where indicated on the front of the return. Write "GE", the filing period, and your Hawaii Tax I.D. No. on your check or money order.

Send your check or money order and the return to:

Hawaii Department of Taxation
P.O. Box 1425
Honolulu, HI 96806-1425

DO NOT SEND CASH.

Step 24 — If you have claimed any exemptions/deductions for the period, be sure you have attached a completed Schedule GE (Form G-45/G-49), General Excise/Use Tax Schedule of Exemptions and Deductions, and enter the grand total of exemptions/deductions claimed from Schedule GE (Form G-45/G-49) on Part IV, line 4.

Step 25 — Sign your name and write your title and the date in the spaces provided.

IMPORTANT: Please write "GE", the filing period (e.g., "Jan - Jun 2006"), and your Hawaii Tax I.D. No. on your check or money order so it will be properly credited if it is accidentally separated from your tax return.

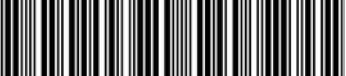
GENERAL EXCISE/USE TAX ANNUAL TAX RETURN AND RECONCILIATION MUST BE FILED.

STEP-BY-STEP INSTRUCTIONS FOR FILLING IN YOUR FORM G-49 (ANNUAL RETURN AND RECONCILIATION)

The annual general excise/use tax return (Form G-49) may be electronically filed (e-filed) with the Department of Taxation. For more information, go to www.ehawaii.gov/efile.

1	2	3	4	5	6	7	8	9	0	X
---	---	---	---	---	---	---	---	---	---	---

- If you are claiming this credit, see the *Instructions* for Form N-335.

	ANNUAL RETURN & RECONCILIATION	
---	---	--

① TAX YEAR ENDING

M M / D D / Y Y

/ /

② NAME: _____

③ HAWAII TAX I.D. NO. W

④ Last 4 digits of your FEIN or SSN

PAGE 10

PART I - GENERAL EXCISE and USE TAXES @ 1/2 OF 1% (.005)									
IRE •	Wholesaling	(5)	.00	(6)	.00	(7)	.00	Neg	

Figure 2. How to Fill in the Columns for General Excise and Use Taxes

Part I
General Excise and Use Taxes @ ½ of 1% (.005)

Step 5 — Enter the gross income from your business activity or activities in Column a on the appropriate business activity line(s), just as you did on your periodic tax returns, but report the amounts for the entire year.

For example, if you correctly reported \$1,000 in gross income on Wholesaling for both the first and second semiannual periods, then the gross income reported on Wholesaling on the annual return will be \$2,000 (\$1,000 + \$1,000).

If a promoter, a contractor, or other person withheld general excise or use tax and paid it to the Department of Taxation on your behalf, include the amount of gross income on which the tax was withheld.

Since the annual return is a reconciliation of the “actual” gross income, exemptions and deductions, taxable income, and taxes due with the “reported” figures filed on the periodic returns, entries on the annual return will differ from the periodic returns if an error was made on a periodic return.

Step 6 — If you have allowable exemptions or deductions, enter the total in Column b on the appropriate business activity line or lines. If you do not have any exemptions or deductions, enter zero (0) on the applicable line or lines.

As in Step 5 above, the amounts and types of exemptions and deductions listed will be the sum of the “actual” allowable exemptions and deductions for the entire year.

IMPORTANT: Most deductions allowed on net income tax returns (for example operating expenses or cost of goods sold) are NOT deductible on general excise tax returns.

Step 7 — For each activity you engage in, subtract Column b from Column a, and enter the result in Column c, Taxable Income. If the result is zero, enter a zero (0). If the result is a negative amount, be sure to darken the box to the right of the amount field to indicate that the amount is a negative number.

PART II — GENERAL EXCISE and USE TAXES @ 4% (.04)		PART I — TAXES	
SCHEDULE	Sum of the lines in Column c above	(8)	X .005 = (8)

Figure 3. Calculating the Tax Amount for General Excise and Use Taxes @ 1/2 of 1% (.005)

Step 8 — Add the taxable income amounts in Part I, Column c. Enter the result. **Reminder:** This amount is rounded to the nearest dollar.

Multiply by the total of Column c by .005, and enter the result, including the cents. The result is the General Excise and Use Taxes @ ½ of 1% (.005) due. If the result is zero, enter “0.00”. If the result is a negative amount, enter the amount within parentheses (e.g., (\$1,000.00)).

Step 9 — If you are claiming exemptions or deductions in Column b, complete Schedule GE (Form G-45/G-49), General Excise/Use Tax Schedule of Exemption and Deductions. Using the Table provided on Schedule GE (Form G-45/G-49), write the activity code for which the exemption or deduction is being claimed and the description of the exemption or deduction. If you write the HRS section number of your claimed exemptions or deductions, it will speed processing of your return and minimize the chances of us misunderstanding what you claimed.

PART II — TAXES	
Sum of the lines in Column c above	(10) X .04 = (10)

Form G-49 **16**

Figure 4. Calculating the Tax Amount for General Excise and Use Taxes @ 4% (.04)

Part II — General Excise and Use Taxes @ 4% (.04)

For these activities, follow Steps 5 through 7 above, as applicable.

Step 10 — Add the taxable income amounts in Part II, Column c. Enter the result. **Reminder:** This amount is rounded to the nearest dollar.

Multiply the total of Part II, Column c by .04, and enter the result,

including the cents. The result is the General Excise and Use Taxes @ 4% (.04) due. If the result is zero, enter “0.00”. If the result is a negative amount, enter the amount within parentheses (e.g., (\$1,000.00)).

Step 11 — Follow Step 9 for the activities in Part II.



Name: _____

(12)

Hawaii Tax I.D. No. W _____ — _____ Tax Year Ending ____ / ____ / ____

Last 4 digits of your FEIN or SSN _____

BUSINESS
ACTIVITIES**Column a**
VALUES, GROSS PROCEEDS
OR GROSS INCOME**Column b**
EXEMPTIONS/DEDUCTIONS
(Attach Schedule GE)**Column c**
TAXABLE INCOME
(Column a minus Column b)**PART III - GENERAL EXCISE TAX @ other rate**

Insurance Commissions

(13)

(14)

(15)

Neg ☐

Multiply Column c by the tax rate

PART III — TAXES

(16)

X .0015

PART IV - TOTAL RETURN AND RECONCILIATION

Figure 5. Top of Page 2 and Calculating the General Excise Tax@other rate

TOP OF PAGE 2**Step 12** — Please complete the information at the top of the page as it is entered on page 1 at the top of the return.**Part III — General Excise Tax @ other rate****Step 13** — Enter your insurance commissions in Column a, just as you did on your periodic tax returns, but report the amount for the entire year.**Step 14** — If you have allowable exemptions or deductions, enter the total in Column b. If you do not have any exemptions or deductions, enter zero (0).

As in Step 13 above, the amounts and types of exemptions and deductions listed will be the sum of the "actual" allowable exemptions and deductions for the entire year.

Step 15 — Subtract Column b from Column a, and enter the result in Column c, Taxable Income.**Step 16** — Multiply the amount in Column c by .0015 and enter the result, *including cents*. If the result is zero, enter "0.00". If the result is a negative amount, enter the amount within parentheses (e.g., (\$1,000.00)).**Step 17** — Follow Step 9 for any amounts claimed in Column b.

1. **TOTAL TAXES DUE.** Add Part I — Taxes, Part II — Taxes, and Part III — Taxes.

If you did not have any activity for the period, enter "0.00" here 1.

(18)

Neg ☐

2. Amounts Assessed on Periodic Returns. PENALTY \$ _____
INTEREST \$ _____

(19)

2.

3. TOTAL AMOUNT. Add lines 1 and 2. 3.

(20)

4. TOTAL PAYMENTS MADE DURING THE YEAR

(21)

Figure 6. Part IV, Lines 1 through 3

Part IV — Total Return And Reconciliation**Step 18** — Add Part I - Taxes, Part II - Taxes, and Part III - Taxes. Enter the sum on Part IV, line 1. This is the Total Taxes Due.**CAUTION:** PART IV, LINE 1 MUST BE FILLED IN. If you do not owe either general excise tax or use tax, enter "0.00" here.**Step 19** — Add all the penalties and interest which have been assessed on taxes owed on the periodic tax returns, enter the results to the right of "PENALTY \$" and "INTEREST \$", and enter the total of the two amounts on Part IV, line 2.**Step 20** — Add Part IV, lines 1 and 2, and enter the total on Part IV, line 3, Total Amount.**Step 21** — Add the total amount of taxes paid with your periodic tax returns, delinquency notices, and assessment notices for the current tax year. Enter the result on Part IV, line 4, Total Payments Made During The Year.**Step 22** — Compare the amounts on Part IV, lines 3 and 4. If the amount on line 3 is THE SAME AS line 4, go on to Step 27 below.

3. TOTAL AMOUNT. Add lines 1 and 2.	3.	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> <div style="display: flex; justify-content: space-between;"> 00 00 </div> </div>
4. TOTAL PAYMENTS MADE DURING THE YEAR.	4.	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> <div style="display: flex; justify-content: space-between;"> 21 00 </div> </div>
5. CREDIT TO BE REFUNDED. Line 4 minus line 3.	5.	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> <div style="display: flex; justify-content: space-between;"> 22 00 </div> </div>
6. ADDITIONAL TAXES DUE. Line 3 minus line 4.	6.	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> <div style="display: flex; justify-content: space-between;"> 23 00 </div> </div>
7. FOR LATE FILING ONLY → PENALTY \$ _____ INTEREST \$ _____	7.	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> <div style="display: flex; justify-content: space-between;"> 24 00 </div> </div>
8. TOTAL AMOUNT DUE AND PAYABLE (Add lines 6 and 7).	8.	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> <div style="display: flex; justify-content: space-between;"> 25 00 </div> </div>
9. PLEASE ENTER THE AMOUNT OF YOUR PAYMENT. Attach a check or money order payable to "HAWAII STATE TAX COLLECTOR" in U.S. dollars to Form G-49. Write "GE", the filing period, and your Hawaii Tax I.D. No. on your check or money order. If you are NOT submitting a check with this return, please enter "0.00" here.	9.	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> <div style="display: flex; justify-content: space-between;"> 26 00 </div> </div>
10. GRAND TOTAL OF EXEMPTIONS/DEDUCTIONS CLAIMED. (Attach Schedule GE) If Schedule GE is not attached, exemptions/deductions claimed will be disallowed.	10.	<div style="border: 1px solid black; padding: 2px; display: inline-block;"> <div style="display: flex; justify-content: space-between;"> 27 00 </div> </div>

— DECLARATION —

<p>I declare, under the penalties set forth in section 231-36, HRS, that this return (including any accompanying schedules or statements) has been examined by me and, to the best of my knowledge and belief, is a true, correct, and complete return, made in good faith for the tax period stated, pursuant to the General Excise and Use Tax Laws, and the rules issued thereunder.</p> <p>IN THE CASE OF A CORPORATION OR PARTNERSHIP, THIS RETURN MUST BE SIGNED BY AN OFFICER, PARTNER OR MEMBER, OR DULY AUTHORIZED AGENT.</p>	<table style="width: 100%;"> <tr> <td style="width: 60%;">SIGNATURE</td> <td style="width: 40%; text-align: center;"> <div style="border: 1px solid black; border-radius: 50%; width: 40px; height: 40px; line-height: 40px; margin: 0 auto;">28</div> </td> </tr> <tr> <td>TITLE</td> <td>DATE</td> </tr> </table>	SIGNATURE	<div style="border: 1px solid black; border-radius: 50%; width: 40px; height: 40px; line-height: 40px; margin: 0 auto;">28</div>	TITLE	DATE
SIGNATURE	<div style="border: 1px solid black; border-radius: 50%; width: 40px; height: 40px; line-height: 40px; margin: 0 auto;">28</div>				
TITLE	DATE				

Figure 7. Part IV, Lines 4 through 10 and Signature

If the amount on Part IV, line 3 is LESS THAN line 4, subtract line 3 from line 4 and enter the amount on line 5, "CREDIT TO BE REFUNDED". Go on to Step 27 below.

Step 23 — If the amount on Part IV, line 3 is MORE THAN line 4, subtract line 4 from line 3 and enter the "ADDITIONAL TAXES DUE" on line 6.

Step 24 — If you file a tax return after the due date, and if there is tax due on the return, then you must compute penalty and interest charges. After computing the amounts, enter the results to the right of "PENALTY \$" and "INTEREST \$" and enter the total of the two amounts on Part IV, line 7.

If you need help computing the penalty and interest, please call the Taxpayer Services Branch for assistance at 808-587-4242 or toll-free at 1-800-222-3229; or leave these lines blank, and the Department will compute the charges for you and send you a bill.

Step 25 — Add the amounts on Part IV, lines 6 and 7, and enter the "TOTAL AMOUNT DUE AND PAYABLE" on line 8.

Step 26 — **NOTE:** If you are NOT submitting a check with your return, enter "0.00" on line 9.

Write the "AMOUNT OF YOUR PAYMENT", including any penalty

and interest, on Part IV, line 9. Attach your check or money order for this amount payable to "Hawaii State Tax Collector" in U.S. dollars drawn on any U.S. bank where indicated on the front of the return. Write "GE", the filing period, and your Hawaii Tax I.D. No. on your check or money order. Send your check or money order and the return to:

Hawaii Department of Taxation
P.O. Box 1425
Honolulu, HI 96806-1425

DO NOT SEND CASH.

Step 27 — Make sure you have entered the Grand Total of Exemptions/Deductions Claimed from Schedule GE (Form G-45/G-49), General Excise/Use Tax Schedule of Exemption and Deductions, on Part IV, line 10.

Step 28 — Sign your name and write your title and date in the spaces provided.

IMPORTANT: Please fill in each column of your business activity(ies) with a dollar amount or zero (0) or processing errors will result. Also, write "GE", the filing period, and your Hawaii Tax I.D. No. on your check or money order, if applicable, so that it may be properly credited if it is accidentally separated from the tax return.

SCHEDULE OF GENERAL EXCISE TAX EXEMPTIONS AND DEDUCTIONS

(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES)

Unless the following instructions tell you not to report the exempt or deducted amounts, you must explain on Schedule GE (Form G-45/G-49) the exemptions and deductions taken under Column b preceded by statement of activity code and amount claimed. For circumstances under which an exemption or a deduction is permitted or allowed, refer to the following sections:

Affordable Housing: Gross income received by a qualified person or firm for the planning, design, financing, construction, sale, rental, or lease of a housing project certified by a qualified state agency or a county is exempt. For more information, get Form G-37 or contact the Housing and Community Development Corporation of Hawaii. Report and explain these amounts. (Section 46-15.1 or 206G-116.)

Air Pollution Control Facilities: Sales of certain new facilities, and of tangible personal property used in their construction, use, or maintenance, are exempt. These facilities must be certified by the Department of Health at least once every five years. Report and explain these amounts. (Section 237-27.5.)

Aircraft Leasing: Amounts received as rent for the rental or leasing of aircraft or aircraft engines that is used by the lessee for interstate air transportation of passengers and goods are exempt. (Section 237-24.3(12).)

Aircraft Service and Maintenance Facility: Amounts received from the servicing and maintenance of certain types of aircraft, or from the construction of a qualified aircraft service and maintenance facility in the State are exempt. Report and explain these amounts. (Section 237-24.9.)

Alcohol Fuels: Retail sales of alcohol fuel, which includes gasohol that is at least 10% alcohol by volume, are exempt. Report and explain these amounts. (Section 237-27.1.)

Alimony: Alimony and other similar payments and settlements are exempt. Do not report these amounts. (Section 237-24(7).)

Bad Debts: For accrual basis taxpayers, accounts that are actually charged off as worthless for income tax purposes may be deducted in Column b. No deduction may be taken for a bad debt reserve. If accounts written off are later collected, the collection is included in Column a for the period in which it was received. (Section 237-3(b).)

Call Centers: Amounts received by a telecommunications common carrier from a person operating a call center are exempt. The gross income received by a call center for customer services and support is also exempt. Report and explain these amounts. (Section 237-29.8.)

Casual Sales: Proceeds from a casual sale are not taxed. A casual sale means an occasional, isolated, irregular, infrequent, or incidental sale or transaction involving tangible personal property that is not ordinarily sold in the usual course of a trade or business. Sales of inventory, or sales that are carried out on a systematic basis, such as when a rental car company sells its rental cars in order to make way for new ones to rent, do not qualify as casual sales. For details, see section 18-237-1, Hawaii Administrative Rules. Do not report these amounts. (Section 237-2.)

Certain Convention, Conference, and Trade Show Fees: All of the value or gross income de-

rived by a fraternal benefit, religious, charitable, scientific, educational, or other nonprofit organization under section 501(c) of the Internal Revenue Code from fees for convention, conference, or trade show exhibit or display spaces is exempt. Report and explain these amounts. (Section 237-16.8.)

Common Paymaster Exception: If employees work for more than one related corporation, one of the corporations may pay the employees on behalf of all employers. If so, the intercompany transfers of funds to the common paymaster are exempt from tax and need not be reported. See section 237-23.5(b). For hotels whose employees are paid by hotel operators, see section 237-24.7(1). For orchards whose employees are paid by orchard operators, see section 237-24.7(4).

Contracting Activity in an Enterprise

Zone: Gross proceeds received by a contractor for construction within an enterprise zone performed for a qualified business within an enterprise zone are exempt. The designation of enterprise zones and the certification of qualified businesses are administered by the Department of Business, Economic Development, and Tourism. (Section 209E-11.)

Damages for Personal Injuries and Property

Damage: Compensatory damages for personal injuries or defamation, or compensatory damages for damage to property, are exempt. Do not report these amounts. (Section 237-24(5).) Punitive damages, and any damages for breach of contract, are taxable if the damages are connected to business in which you are or were engaged.

Diplomats and Consular Officials, Sales to:

Amounts received from foreign diplomats and consular officials who are holding cards issued by the U.S. Department of State granting them an exemption from state taxes are exempt. The tax exemption, however, is not applicable to taxes imposed on telecommunication services, other utilities, or gasoline purchases. Report and explain these amounts. For more information, see Department of Taxation Announcement No. 2000-07. Report and explain these amounts. (Section 237-24.3(11).)

Disability Provisions: There is an exemption for the first \$2,000 of gross income earned by any blind, deaf, or totally disabled person. (Section 237-24(13).) Use Form G-65, Disability Deduction Worksheet, to compute the allowable deduction to effect the 0.5% general excise tax rate imposed on the remaining gross income. Contact your district tax office for Form G-65.

Discounts and Returned Merchandise: Cash or other discounts on the price of articles sold are considered price adjustments and should be considered in figuring the amount to report in Column a. Cash or store credit that is given for returned merchandise is deductible and should be entered in Column b of the same line on which the merchandise sales were reported. (Section 237-3(b).)

Dividends and Distributions: Dividends and other distributions of income or profit from corporations, partnerships, and trusts are not taxable. Do not report these amounts. (Section 237-3(b).) The exemption does not apply if the distribution is a payment due to transaction of business with the shareholder, partner, or beneficiary.

Drugs and Prosthetic Devices: Sales to individuals by a hospital, infirmary, medical clinic, health care facility, pharmacy, or practitioner licensed to administer drugs or prosthetic devices are exempt. Report and explain these amounts. Prosthetic devices do not include such items as glasses, hearing aids, or dentures. For more information, see Tax Information Release No. 86-4. (Section 237-24.3(7).)

Employee Benefit Plans: Amounts received by an employee benefit plan as contributions, dividends, and interest are exempt. Amounts received by a nonprofit organization or office as payments for costs and expenses incurred for the administration of an employee benefit plan are also exempt. Do not report these amounts. (Section 237-24.3(5).)

Enterprise Zones: There are tax incentives for employers doing business in properly designated enterprise zones. Designation of zones, and certification of employers and businesses in those zones, are administered by the Department of Business, Economic Development, and Tourism. (Section 209E-11.)

Exported Services: The value or gross proceeds arising from contracting or services performed in Hawaii, for a customer located outside of the State are exempt provided the customer furnishes a Form G-61 to the vendor certifying that the contracting or service purchased is for resale, consumption, or use outside of the State. Report and explain these amounts. (Section 237-29.53.)

Federal Cost-Plus Contractors: If you are a federal cost-plus contractor, you may elect to deduct any amounts that you were reimbursed under the contract for materials, plant, or equipment. To claim the deduction, you must certify that you are taxable with respect to the gross proceeds of the sale, and that you elect to have the tax on the gross income computed the same as upon a sale to the state government. Please attach the certification on a separate sheet. (Section 237-13(3)(C).)

Federally Preempted Amounts: Gross income is not taxed if the Constitution and laws of the United States prohibit the State of Hawaii from taxing it. If you are claiming this exemption, you must enter the amount claimed to be exempt in column b, and on the back of the return. Your explanation of this exemption must include a description of the constitutional provision or federal statute which you claim entitles you to the exemption. If possible, please include a reference to the United States Code (U.S.C.) to identify any federal law. (Section 237-22.)

If your business earns interest from buying U.S. Treasury obligations or similar instruments, check Tax Information Release No. 84-1 for a list of obligations for which interest is exempt. If the kind of bond or obligation that you have is listed as exempt, please identify the type of obligation that it is, and refer to "TIR No. 84-1" in your explanation of the exemption.

Food Stamps: Amounts received for purchases made with USDA food coupons or vouchers under the federal food stamp program, or the Special Supplemental Food Program for Women, Infants and Children, are exempt. Report and explain these amounts. (Section 237-24.3(6).)

Foreign Trade Zone Sales: Sales of products which are admitted into a foreign trade zone and made directly to any common carrier in interstate

or foreign commerce for consumption out-of-state are exempt, provided that the sale takes place entirely within the zone. Report and explain these amounts. (Section 212-8.)

Foster Parents: Foster parents are not taxable on amounts they receive from the State or eleemosynary child-placing organizations for their care of children in foster homes. Do not report these amounts. (Section 237-24(15).)

Geothermal Power: Amounts received from selling geothermal power are exempt. Do not report these amounts. (Section 182-16.)

Gifts and Bequests: Any property acquired by gift, bequest, or devise is exempt. Do not report these amounts. (Section 237-24(2).)

Hotel Operator: Amounts received by the operator of a hotel from the owner of the hotel specifically to cover the costs of employee wages, salaries, payroll taxes, insurance premiums and benefits (including retirement, vacation, sick pay, and health benefits) are exempt. Report and explain these amounts. (Section 237-24.7(1).)

Insurance Proceeds: Amounts received under life insurance contracts because of the death of the insured (section 237-24(1)), amounts received under life insurance, endowment, or annuity contracts paid either during the term of the contract or at maturity (section 237-24(2)), or amounts received under an accident, health, or worker's compensation policy because of personal injuries, death, or sickness (section 237-24(3)), are all exempt; do not report these amounts.

If a person receives amounts under fire or accident policies to repair or replace damaged property, the amounts could qualify as money received because of casual sales (discussed earlier). Amounts paid under business interruption insurance contracts to replace lost income, or amounts paid under any insurance contracts to repair or replace inventory property, including crop losses, are considered taxable. Report all of these amounts on the "All Others" line in Part II of Forms G-45 and G-49, even if the insurance proceeds replace inventory property that otherwise would have been sold at wholesale. For more information, see Tax Information Release No. 92-7. If the damage or loss of inventory property took place in an area declared a natural disaster area, an exemption should be claimed (described below under "Insurance Proceeds Received Because of a Natural Disaster").

Insurance Proceeds Received Because of a Natural Disaster: If you receive amounts under property and casualty insurance policies for damage or loss of inventory used in a trade or business located within an area declared a natural disaster area by the Governor, this exemption applies. Report and explain these amounts. (Section 237-24.7(6).)

Intercompany Charges: Charges for legal, accounting, managerial, and administrative services (including related overhead costs) furnished by one related entity to another, or interest on loans or advances to related entities, are not taxable. Effective July 1, 2001, the amount received, charged, or attributable to services using computer software and hardware, information technology services, and database management that is furnished by one related entity to another related entity is exempt. Related entities are generally those related through 80% common ownership and at least 80% of the total voting power; see Section 237-23.5(a), for more information. These amounts must be reported and explained. (Section 237-23.5(a).)

Labor Organizations: A labor organization that is exempt from federal income tax under Section 501(c)(5) of the Internal Revenue Code is not taxable on rents for real property leased to (A) another labor organization, or (B) a trust providing membership service programs such as a pension plan, a common fund for medical or hospital care, or apprenticeship and training. (Section 237-24.3(10).)

Leases and Subleases of Real Property: A deduction is allowed a taxpayer who leases real property from a lessor under a written lease, and subsequently subleases that same real property to a sublessee under a written lease. The deduction is computed by multiplying the gross proceeds paid by the taxpayer to the lessor by a rate to be phased in over a 7-year period as follows: 1998 - 0.125; 1999 - 0.25; 2000 - 0.375; 2001 - 0.50; 2002 - 0.625; 2003 - .75; and 2004 and thereafter - 0.875. The taxpayer calculates the sublease deduction using Form G-72. These amounts must be reported and explained. (Section 237-16.5.)

Maintenance Fees: Maintenance fee payments by condominium owners to an association of apartment owners (AOAO) in reimbursement of sums paid for common expenses are exempt income for the AOAO. The same exemption applies when owners pay these fees to nonprofit homeowners' or community associations (Section 237-24.3(3)), or to qualifying cooperative housing corporations. (Section 237-24(16).) Do not report these amounts.

Mass Transit: Income of the operator of a mass transit system (of motorized buses) is exempt, if a political subdivision owns the property and the facilities of the county transportation system (including buses, real estate, parking garages, fuel pumps, etc.). Do not report these amounts. (Section 237-24.7(2).)

Merchants' Association Dues: Amounts received from the membership of an unincorporated merchants' association as dues for advertising or promotion are exempt, as long as the advertising and promotion are for the benefit of the membership as a whole and not for an individual member or subgroup of members. Do not report these amounts. (Section 237-24.3(9).)

Non-profit Organizations: Amounts received by certain non-profit fraternal, religious, charitable, scientific, educational, community or social welfare groups and hospitals, infirmaries and sanitaria organizations may be exempt. Do not report these amounts. (Section 237-23(a).) However, **ALL** fundraising activities of these organizations are taxable and must be reported. See Tax Information Release Nos. 89-6, 89-13, 91-2, and 91-4, and Tax Facts No. 98-3 for more information.

Orchard Operator: Amounts received by the operator of orchard properties from the owner of the orchard property specifically to cover the costs of employee wages, salaries, payroll taxes, insurance premiums and benefits (including retirement, vacation, sick pay, and health benefits) are exempt. Report and explain these amounts. (Section 237-24.7(4).)

Out of State Sales: The value or gross proceeds received by a manufacturer, producer, or seller of tangible personal property shipped to a point outside of the State where it is resold or otherwise consumed or used outside the State are exempt. Report and explain these amounts. For more information, see Tax Information Release No. 98-5. (Section 237-29.5(1).)

Petroleum Refining: Petroleum products refined in Hawaii that will be further refined by an-

other taxpayer are exempt. Report and explain these amounts. (Section 237-27.)

Public Internet Data Center: The gross income or gross proceeds received by a public Internet data center is exempt. The term "public Internet data center" means a facility available for compensated use by the public that is designed to house data servers, operate on a 24-hour, 7-days a week basis, have redundant systems for electricity, air conditioning, fire suppression, and security, and provide bandwidth, co-location, data back-up, complex web hosting, and aggregation for application service providers. (Section 237-29.65.)

Real Estate Sales: Gross proceeds from the sale of land in fee simple are generally exempt and do not have to be reported. If leasehold land is sold, especially by the lessor, part of the proceeds from the sale may be considered rent and would need to be reported on the "Other Rental" line in Part II of Forms G-45 and G-49. For details, see General Excise Tax Memorandum No. 3 and General Excise Tax Memorandum No. 3A. Land in fee simple does not include furniture, fixtures, and equipment. If these items are being sold, see "Casual Sales" above. (Section 237-3(b).)

Contractors, developers, and dealers in real estate must report the gross sale proceeds from their projects in Column a, and include in Column b (and explain on Schedule GE (Form G-45/G-49)) the amount attributable to the sale of land in fee simple.

Reimbursements of Payroll Costs: Amounts received by a management company from related entities, engaged in the business of selling interstate or foreign telecommunication services, as reimbursements of payroll costs incurred in managing or operating the related entities' employees are exempt. Related entities are generally those related through 80% common ownership and at least 80% of the total voting power. These amounts must be reported and explained. (Section 237-24.7(9).)

Sales of Fresh Foods, Liquor, and Tobacco to Common Carriers: Sales of liquor, certain tobacco, and fresh food products to transportation companies for out-of-state use (or use on vessels) are exempt. Report and explain these amounts. (Section 237-24.3(2).)

Sales to the Federal Government and Credit Unions: Sales of tangible property to the federal government and state and federal credit unions are exempt. This exemption does not apply to federal cost-plus contractors or service providers (even if the service provider separately bills for the item of tangible personal property). (Section 237-25(a).) Note: Service provided to the federal government is taxable.

Scientific Contracts: Gross proceeds from certain scientific contracts with the federal government are exempt. Report and explain these amounts. For more information, see Tax Information Release No. 35-71. (Section 237-26.)

Senior Citizens' Fair: Proceeds of an annual senior citizens' fair, held by a county commission on aging or appropriate county agencies on aging, are exempt. Do not report these amounts. (Section 349-10.)

Services Related to Ships and Aircraft: Amounts received from the loading or unloading of ships or aircraft; tugboat services including pilotage fees and towage of ships, barges, or vessels in and out of harbors or from one pier to another; and the transportation of pilots or governmental officials to ships, barges or vessels offshore; rigging gear; checking freight and similar

services; standby charges; and use of moorings and running mooring lines are exempt. Report and explain these amounts. (Section 237-24.3(4).)

Shipbuilding and Ship Repairs: Gross proceeds arising from shipbuilding and ship repairs rendered to surface vessels federally owned or engaged in interstate or international trade are exempt. Report and explain these amounts. (Section 237-28.1.)

Shipping and Handling of Agricultural Commodities: Amounts received for loading, unloading and shipping of agricultural commodities between islands in the State from a producer or produce dealer are exempt. These amounts must be reported and explained. (Section 237-24.3(1).)

Small Business Innovation Research Grants: Amounts received as grants awarded by the High Technology Development Corporation under section 206M-15, HRS, that supplement federal small business innovation research phase I awards or contracts are exempt. Report and explain these amounts. (Section 237-24.7(10).)

Stock Exchange Transactions: Certain amounts received by a domestic or foreign stock exchange, and certain amounts received by exchange members by reason of executing a securities or product transaction on an exchange, are exempt. The exemption does not apply to commission or other income received by brokers or dealers from their customers. Report and explain these amounts. (Section 237-24.5.)

Stocks, Bonds, and Commodity Futures: Gross proceeds from the sale of securities, commodity futures, and bonds are exempt and do not

have to be reported. (Section 237-3(b).) If you are selling bonds with accrued but unpaid interest, the interest is considered income that is received when the bond is sold. The interest does not qualify for this exclusion and may need to be reported on the "Interest" line in Part II of Forms G-45 and G-49. For example, if you purchased an out-of-state municipal bond at a discounted price and sell it for an appreciated price, the difference is considered accrued, but unpaid, interest and that portion would be taxable and reported on the "Interest" line in Part II of Forms G-45 and G-49. **Please note:** Federal bonds' accrued interest are exempted. See "Federally Preempted Amounts" discussed earlier.

Subcontract Deduction: A prime contractor (or a developer) may be eligible for a deduction in the amount of payments made to a subcontractor or a specialty contractor. To claim the deduction, the contractor must list the subcontractor and the subcontractor's Hawaii Tax I.D. No. on Schedule GE (Form G-45/G-49). Report and explain these amounts. For more information, contact your district tax office for instructions. (Section 237-13(3)(B).)

Sugar Cane Payments to Independent Producers: Certain payments to independent sugar cane producers are exempt. Report and explain these amounts. (Section 237-24(14).)

Taxes Passed On: Amounts received to pay the following taxes are exempt. Each amount should be reported and explained.

- Fuel taxes collected by distributors. (Section 237-24(8).)
- Hawaii liquor taxes collected by dealers. (Section 237-24(9).)

- Hawaii cigarette and tobacco taxes paid by wholesalers. (Section 237-24(10).)
- Federal excise taxes imposed on articles sold at retail and collected from purchasers. (Section 237-24(11).)
- Federal taxes imposed on sugar manufactured in Hawaii. (Section 237-24(12).)
- Transient accommodations taxes visibly passed on. (Section 237-24.3(8).)
- Rental motor vehicle and tour vehicle surcharge taxes visibly passed on. (Section 237-24.7(3).)

Trade-Ins: For trade-ins, a merchant reduces the price of the new article by the amount of the trade-in allowance. The trade-in allowance is considered a price adjustment and is subtracted from the new article's sales price and the net amount is reported in column a. Any later sale of the traded-in article is reportable at the time of that sale. (Section 237-3(b).)

Wages: Amounts received as salaries or wages for services rendered by an employee to an employer are exempt. If your employer is withholding payroll taxes on these wages, you do not have to report them. If you are being paid as an independent contractor, or if payroll taxes are not being withheld, these amounts are taxable. (Section 237-24(6).)

Wholesale Transactions: Amounts received from the sales of tangible personal property imported into the State by a licensed taxpayer to another licensed taxpayer for further resale at wholesale are exempt. Report and explain these amounts. (Section 237-29.55.)

DIVISION OF GROSS INCOME AMONG TAXPAYERS

In general, as mentioned above, the general excise tax is imposed on gross income and no deductions are allowed for costs of producing that income. In the following special situations, however, the law recognizes the division of gross receipts among the taxpayers responsible for those receipts. Taxpayers in these situations report their respective shares of the gross income received.

Coin Operated Devices: Gross receipts are divided between the owner (or operator) of the device and the owner (or operator) of the premises on which the machine is located. (Section 237-18(a).)

Insurance Agents and Realtors: Gross commissions are divided among licensed non-em-

ployee insurance agents, or among licensed non-employee realtors. (Section 237-18(e).) Generally, commission sellers pay tax on commissions earned, and the principal pays tax on gross sales, not the amount net of commissions.

Motor Carriers: Where the transportation of passengers or property is furnished through arrangements between motor carriers, the gross income received for the transportation services is divided between the motor carriers. (Section 237-18(h).)

Producers and Promoters: When a person furnishing or producing an event or spectacle (such as a film distributor) and a promoter (such as a theater owner) stage an event, the promoter pays the tax and withholds the producer's tax, and

then is not taxed on the producer's share of the income. If the producer is a tax exempt entity, such as a properly registered nonprofit organization, then the promoter is not taxed on the producer's share of the income and the promoter does not have to withhold tax. (Section 237-18(b).)

Tour Packagers: Gross revenues can be divided between a tour packager or travel agent, and a provider of tourism related services. (Section 237-18(f).) In addition, gross revenues can be divided between a tour packager and a provider of transient accommodations at noncommissioned negotiated contract rates. (Section 237-18(g).) For more information, see Tax Information Release No. 91-8 and Attorney General Opinion 65-6.

SCHEDULE OF USE TAX EXEMPTIONS AND DEDUCTIONS

(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES)

Unless the following instructions tell you not to report the exempt or deducted amounts, you must explain on Schedule GE (Form G-45/G-49) the exemptions and deductions taken under Column b preceded by statement of activity code and amount claimed.

For circumstances under which an exemption or a deduction is permitted or allowed, refer to the following sections:

Air Pollution Control Facilities: An air pollution control facility itself, and any tangible personal property furnished in conjunction with the construction, reconstruction, erection, operation, use, or maintenance of an air pollution control facility is exempt. These facilities must be certified by the Department of Health at least once every five years. Report and explain these amounts. (*Section 238-3(k).*)

Aircraft Service and Maintenance Facility: Materials, parts, or tools imported or purchased by a person with a general excise tax license and which are used for certain types of aircraft service and maintenance, or for the construction of a qualified aircraft service and maintenance facility, are exempt. (*Section 238-1.*)

Casual Purchases: A sale of tangible personal property by someone not in the business of selling the property is called a casual sale. (See "Casual Sales," above.) Because gross income derived from a casual sale is excluded from gross income subject to the general excise tax, the landed value of tangible personal property acquired in a casual sale also is not subject to the use tax. For example, if you purchase a used car from an individual selling his or her personal car and import that car into Hawaii, report the landed value of the car but claim this exemption. (*Section 238-1.*)

Contracting: The use of imported contracting by a building industry contractor who has a general excise tax license, is engaged in business as a contractor, and otherwise would be subject to the use tax on the imported contracting is exempt. Report and explain these amounts. See Tax Information Release No. 2001-2 for more information. (*Section 238-1*)

Diplomats and Consular Officials: The use of property, services, or contracting imported by for-

eign diplomats and consular officials holding cards issued by the U.S. Department of State granting them an exemption from state taxes are exempt. The tax exemption, however, is not applicable to taxes imposed on telecommunication services, other utilities, or gasoline purchases. Report and explain these amounts. For more information, see Department of Taxation Announcement No. 2000-07. (*Section 238-1.*)

Director of Taxation's Authority to Exempt, Exclude or Apportion the Use Tax: Imports of property, services, or contracting to the extent that the general excise tax would have applied to a similarly-situated taxpayer engaged in a local transaction. The Director of Taxation (Director) has the authority to:

- (1) Exempt or exclude from the use tax, property, services, or contracting, or the use of property, services, or contracting exempted from the general excise tax; or
- (2) Apportion the gross value of services or contracting sold to customers within the State by persons engaged in business both within and without the State to determine the value of that portion of the services or contracting that is subject to the general excise tax for the purposes of section 237-21, HRS.

The Director will use the authority to exempt, exclude, or apportion the value of imported property, services, or contracting when an exemption, exclusion, or apportionment of gross receipts would be allowed under the General Excise Tax Law in the case of a similar local transaction. See Tax Information Release No. 2001-2 for more information. (*Section 238-3(a)*)

Drugs and Prosthetic Devices for Personal Use: If you are an individual who bought drugs or prosthetic devices from a hospital, infirmary, medical clinic, health care facility, pharmacy, or a practitioner licensed to administer the drug to an individual, the landed value of the drugs or prosthetic devices is exempt from use tax. Do not report these amounts. (*Section 238-1.*)

Enterprise Zones: Purchases by a qualified business in an enterprise zone are exempt. The designation of enterprise zones and the certification of qualified businesses are administered by

the Department of Business, Economic Development, and Tourism. (*Section 209E-11*)

Liquor or Tobacco: Liquor or tobacco products imported and then sold in interstate commerce for sale out of state, or sold to a common carrier for consumption on a vessel or airplane, are exempt. Report and explain these amounts. (*Section 238-3(g).*)

Producers: Certain property used by licensed producers is either taxed at a ½% rate or is exempt, depending on whether the imported property is going to be resold at retail. For example, if a farmer sells eggs to grocery stores as well as to neighbors and friends, then the chicken feed the farmer imports is taxed. That portion of the feed used to feed chickens whose eggs the farmer consumes is imported for consumption, and is reported on the "Use Tax on Imports For Consumption" line in Part II of Forms G-45 and G-49. The portion attributable to retail sales is imported for resale, and is reported on the "Use Tax on Imports For Resale at 4%" line in Part I of Forms G-45 and G-49. The remainder is imported for wholesale, and is exempt; include those amounts on the "Use Tax on Imports For Resale at 4%" line in Part I of Forms G-45 and G-49, Columns a and b, and explain this on Schedule GE (Form G-45/G-49). (*Section 238-4.*) For more information, see Administrative Rules Section 18-238-4.

Scientific Use Property: Property which is to be affixed to, or which is to become a physical, integral part of a scientific facility, or which is to be entirely consumed during the performance of a service required by a scientific contract with the United States Government, is exempt. Report and explain these amounts. For more information, see Tax Information Release No. 35-71. (*Section 238-3(j).*)

Services or Contracting to Foreign Customers: The use of services or contracting imported for resale to a foreign customer who will resell, consume or use the service or contracting outside of the State is exempt. Report and explain these amounts. (*Section 238-1.*)